Accounting

Effect of monetary policy on financial system

CHAPTER ONE

1.0 INTRODUCTION

One of the ways taken by all institute to make the banking sector effective is the use of the monetary policy introduced by the Federal Government and carried out by the apex bank of the country Apparently, the existence of an effective banking industry is vital to every institute and it encourages economic growth and development via its role in financial interdiction of funds supplies to deflect economic units. This stimulates international trade, investment economic growth as well employment.

Monetary policy is one of the steps taken by every institute to make the banking sector effective. Monetary and banking policies are the sole responsibilities of monetary authority, which comprises of the CBN for the invitation, implementation and articulation of monetary system. The CBN carried out these duties on behalf of the Federal government according to CBN decree 21 of 1991 and the banks and other financial institutions. The guideline are general in operation within a fiscal year but could be amended on the course of the year. The CBN is equally empowered to direct the activities of the financial institutions in order to carry out certain duties in approved monetary policy of which penalties are prescribed for non-compliance with specific provision of the guidelines.

1.1 BACKGROUND OF THE STUDY

Monetary policy affects financial and economic activities over the year. In other to appreciate the effects of monetary policy o the banking Industry, it would be wise to move a review of changing views of monetary policy on the banking industry, it would be wise to move a review of changing views of monetary influence. Usually when the quantity of money changes in relation in financial activities as viewed by fisher (1932). Fisher, take other neoclassical writer who held the view that in short run, money influences neat cash balances. According to him, when the money stock increases, example

An increase commodity prices since output and velocity were fixes initially. He assumed that a rise in commodity prices would exceed the increase in interest rate which was regarded as a component of a forms operating cost. In the whole analysis, rise in commodity prices will lead to an increase in a firms profit, demand, money stock and deposit which will eventually lead to a further rise in investment and commodity price. The excess reserved for lending will decline with interest rate, which was stocky earlier.

In the analysis of long term transmission of monetary influence fisher replaced.'Interest – investment' channel with 'Real cash Balance. He noted that when wealth rises due to rise in money stock, people tend to reduce their cash balances by purchasing goods and services since the velocity (V) and output (Y) In fishers equation of exchange (MUPT) is fixed, the risen money stock (M) cannot lead to increase holding of goods and services but will lead to decline in prices level (P) Keynes (1036) accepted the change in money supply relative has both substitution and considered investment to be quite responsible to interest rates.

Keynes recommended price induce wealth effects, (i.e change in Wealth due to change in yields) there are ranging accounts by his interpreters about the extent he integrate them in his general theory. Hence subsequent write to Keynes (i.e Keynesian or post Keynesian regards the cost of capital interest rate) as the main process by which changes in money stock. Influence the institute. Thus the change in Volume of money alters the rate of interest usually approximated by the long term government bound rate, which effects investment and consumption. Thus the link between Wealth of private sector and real sectors and consumption was analyzed by Piguo (1974) and Patikin(1951) in form of real cash balance effect. According to them changes in quantities of money would affect aggregate. Demand even if they did not alter interest rate. On the other hand, credit rationing would be controlled by the market forces so as to ration the supply of credit by non-price mechanism.

Thus an expansionary monetary policy would raise the force of equity (i.e reduce the yield on equities). The margin between the market evaluation and cost of reproducing the existing capital goods will stimulate new investment over those goods.

The Non-monetarist argued that monetary policy is as effective as Fiscal policy as to determine the total spending in the institute in spite of their differences. It holds the following views.

1. The movement in quantity of money is the most reliable measure of monetary value
2. Monetary authority can detect the movement in the stock of money overtime and business cycle
3. Changes in stock money are the primary determination of total spending as emphasized on Owen’s economic stabilization program
4. Monetary impulse are transmitted to a real institute through an active price process or profit adjustment process which affect money Financial and real antes.

1.2 STATEMENT OF PROBLEMS

Despite the establishment of Central Bank of Nigeria (CBN) In 1958, Banking Industry remained both poor, in adequate in terms of numbers, quality and variety of service rendered.

The establishment of CBN paved way for adoption of Monetary Management by the banking Industry. Just incase any analyst is waiting in wings to strike CBN for its poor monetary Policy performance. Ogwuma (1994:362) offers a defense which says "A less than objective appraisal of the CBN role in the institute could interpret the adverse macro-economic trend as evidence of failure on the part of CBN.

1.3 AIMS AND OBJECTIVES OF THE STUDY

The following issues are the main aims and objective of carrying out this study

a. To identify the basic effects of monetary policy in order to achieve a sound financial system;

b. To examine CBN monetary policy strategies;

c. To Identify the best policy measure for economic stability.

1.3 SIGNIFICANT OF THE STUDY

The important of this study cannot be over emphasize. It will serve as a useful material to the Monetary Authority, Bank Management and Staff, Customers, Depositors, Students and indeed the entire Institute on the regards. The report shall be useful in ensuring both monetary stability and a sound safe and profitable banking environment which will facilitate the pace for the economic growth and development in Nigeria.

1.5 HYPOTHESIS/RESEARCH QUESTION

The following hypothesis has been formulated as a guide to the conduct of the study. They should be tested based on the result obtained from the regression coordinated. The hypothesis are:

. H_o: Variation in monetary policy does not significantly affect output growth

. H_i: Variation in monetary policy significantly affect output growth

i.e H_o=Null Hypothesis

H_i= Alternative Hypothesis

. H_o: Monetary policy does not develop sound Financial System

. H_i: Monetary policy develops sound Financial System

1.6 SCOPE OF THE STUDY

Although there exist many factors affecting the operation of or the banking industry affecting the study focuses on the impacts of monetary policy on the performance of the banking industry.

1.7 LIMITATION OF THE STUDY

It is quite believed that the study of nature needs sufficient time, Finance and Materials. The inadequate of sufficient factors poses enough imitations to this study. The Limitations in general include:

a. Financial and monetary constraint;

b. Material constraint;

c. Time constraint;

d. Physical and geographical constraint.

1.8 DEFINITION OF TERMS

Banking Industry

These refer to the total number of banks and other financial institution who performs banking function such as acceptance of deposit, Issuing of credits/Loan and keeping of valuables. Such banks include, Merchant Banks and Development Banks etc. The banking industry also consist of the monetary authorities such as Central Bank of Nigeria and other Federal bodies whose duty includes the regulation of the institute.

Insurance Bank

This implies those banks whose risks are insured with the Nigeria Deposit Insurance Commission (NDIC)

Bank Distress

This is the period in banking industry when they cannot be able to meet up its target such as; Objectives, dividends staff remuneration in the institute as a whole. In this period, a bank is said to be in the period of solvency i.e a period of when its dept ratio are high.

A Financial Institution

Is establishments that conduct Financial transaction such as investment, Loans and deposit. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loan and exchanging currencies must be done through Financial Institutions.

CHAPTER TWO

2.0 LITERATURE REVIEW

Zenith bank is one of Nigeria's largest banks. The bank currently has a shareholder base about One Million and is the biggest tier-1 bank in Nigeria.

Establish in May 1990, it become a Public Limited Company on June 17, 2004 and was listed on the Nigeria Stock Exchange on October 21, 2004. The bank's share are traded on London stock exchange (LSE) following a listing of the $850 million worth of shares at $6.30 each.

With the headquarters in Lagos, Nigeria, Zenith Bank has over 350 branches and business offices spreading across all state of the federation and the federal capital territory (FCT), Abuja. Zenith Bank has [presence in the United Kingdom, United Arob Emirates, Ghana, Sierra Leone and the Gambia. The bank also has representative offices in South Africa and China and plans are a foot to take in the Zenith Franchise to other Sub-Africa region as well as the European and Asia market while consolidation its position as a leading financial service provider in Nigeria and location where its currently operate.

2.1 CONCEPTUAL FRAMEWORK

The concept and definition of monetary policy in the previous years has no universal acceptability but however, the term monetary policy according to CBN release on monetary concept (2006) was defined as "Any policy measure designed by the federal Government through the CBN to control cost availability and supply of credit. It also referred to as the regulation of monetary supply and interest rate by the CBN in order to control inflation and to stabilize the currency flow in an institute

However, in the CBN briefs (series No 97/03 June 1997) monetary policy was define as follows; The combination of measures designed to regulate the value, supply and cost of money on an institute in consonance with the expected levels of the economic activities these imply that the excess supply of money would result in excess demand for goods and services, which would in turn cause arise in price and determination of balance of payment position monetary policy is one of the available tools of macroeconomic objectives. The primary goals of macroeconomic policy are price stability, external and a satisfactory rate of output growth.

2.2 THOERITICAL LITERATURE

The effect of monetary policy is a central issue and has attracted a lot of comments both in and out of the country. The theories of monetary policy became success during 1930's and 1940's. It was believed that the well being of monetary policy is stimulating recovery from depression was severely limited than in controlling a boom and inflation. These views emerged from the experience of Keynes in his theory. Keynes general view holds that during depression, the CBN can increase the reserve of commercial banks through a cheap monetary policy. They can do so by buying securities and reducing the interest rate. As a result of these, the ability of extending credit facilities to0 borrowers increases. But the great depression tells us that in a serious depression when there is pessimism among economic sectors, the success of such a policy is practically Zero. In this case, the question of borrowing for long term capital needs does not arise in a depression when the business activities are already at a low level.

The classical view of monetary policy is based on the quantity theory of money. According to this theory, an increase in the quantity of money leads to a proportional increase in the price level. This quantity theory of money is usually discussed in terms of “Equation of Exchange” which is given by the depression. P denotes price level and Y denotes the level of current real GDP. Hence PY represent Current

“NORMAL GDP”M denote the supply of money over which the fed some control V denotes the “Velocity Circulation” which is the average number of times a naira is spent on a final good and services over the cost of the year. The equation of exchange is an identity which states the current market value of all find goods and services…….. Normal GDP must equal to the supply of money multiplied by the average number.

Monetarist view monetary policy date back in 1950’s, a new view of monetary policy called monetarism, has emerged that disputes the Keynesian view that monetary policy is relatively ineffective adherent of monetary argue that the demand for money is stable and not sensible to change the interest rates.

2.2.1 TYPES OF MONETARY POLICY

There are basically two kinds of monetary policy, they are:

a. EXPANSION MONETARY POLICY

An expansionary policy is used to overcome depression recession and deflation gap. When there is fall in consumer goods and services and in business investment goods, a deflamatory gap emerges. The Central Banks start an expansionary policy that eases the credit market condition and leads to an upward shift in aggregate demand. For this the CBN purchases the government securities in the open market, lowers the reserve requirement of member bank, lowers the discount rate and encourage consumer and business credit through selective measures.

b. RESTRICTIVE MONETARY POLICY

This is the kind of monetary policy designed to reduce aggregate demand (AD) and inflammatory pressure takes place as a result of risen consumer demand for goods and services and the there is also boom in business investment. The CBN introduces the restrictive policy in order to lower aggregate consumption and investment increasing the cost of availability of bank credit.

2.2.2 AIMS AND OBJECTIVES OF MONETARY POLICY

There appear to be a general consensus that the single most important objectives of monetary policy are the pursuit o price stability. These recognition is perhaps derived from the increasing rate at which many central banks around the world are been given the exclusive power to control in plate or and stability domestic prices. The perspective which recognized a focus on inflation as the right approach to macroeconomic stability receives a strong support from the analytical research summarized in fisher (1996) the study concludes that the fundamental task of the currency and the following:

a. Achievement of domestic price exchange rate stability;

b. To control inflation;

c. Maintenance of healthy balance of payment position;

d. Promotion of rapid and sustainable rate of economic growth and development;

e. Maintenance of macroeconomic stability;

f. Development of sound Financial System;

g. To stabilize the Naira exchange rate;

h. To maintain a high level of employment.

2.2.3 INSTRUMENT OF MONETARY POLICY

The policy Instrument are two kinds, they are;

i. Indirect Quantitative or General;

ii. Direct Quantitative or selective.

These affect the level of aggregate demand and through the supply of money cost and availability of credits. The first category includes the bank rate variation, open market operation and changing reserve requirement. They are meant to regulate the overall level of credit in the institute through commercial bank.

The selective credit control aim at controlling specific kind of credit. They are discussed under as follows:

a. BANK RATE POLICY

The bank rate is the minimum lending rate of the central Bank at which it rediscount first class bill of exchange and government securities hold by the commercial Bank. When they notice an inflationary pressure in the institute, it raises the bank rate. In this period, borrowing from the CBN becomes difficult and the commercial banks borrow less from it. Also the commercial banks borrowers such as the individual and industry borrow less from it due to an increase in its lending rate.

On the contrary when prices are depressed, the Central bank lowers their bank rate making it cheaper to borrow from them. The Commercial banks also lower its lending rate making it easy for businessmen to borrow money. In this cost, investment output, employment, income and demand start rising.

b. CHANGES IN RESEARCH RATIO

This system was first adopted in USA. As suggested by the Keynes “Treatise on Money” as a monetary devise. In every Financial Institute, certain percentage of its total deposit is kept in form of reserve fund its vault and also a certain percentage with the Central Bank. When prices are rising, the Central bank rises the reserve ratio. Bank is required by Law to keep more to the Central Bank. They lend less when their reserve is reduced and they lend less. The volume of investment, output and employment are adversely affected.

On the contrary when the reserve ratio is lowered, the Commercial banks reserve rises, thereby lending more and the economic activities are favoured.

c. OPEN MARKET OPERATION

This refers to the sell and purchase of securities by the central bank in the money market. When prices are rising and there is a need of controlling them, the central banks sell securities. The reserves of commercial banks are reduce and they are not in a position to lend money to individual and co operations. Further investment discouraged and the rise in price are checked. On the contrary, when recessionary forces starts in an institute, the Central bank buy securities from business communities and commercial banks thereby increasing their reserve investment, output, income and aggregate demand rises.

d. CREDIT CONTROLS

Credit control are used to control specific type of credit for particular purpose. They usually take the form of changing margin to control speculative activities in the institute or in a particular sector in certain commodities and price will start rising. The Central bank raises the margin requirement on them. The result that the borrowers are given less money is loan against specific securities.

2.2.4 FISCAL POLICY

Fiscal policy which is national in scope is a government policy related to taxation and policy, which is concerned with money supply are the two most important component of a government over all economic growth.

Keynesians considered Fiscal policy the steeling wheel for aggregate institute. They said classical economist with their Laissez. Faire policy were trying to drive an institute without any steeling wheel. Fiscal policy can be either expansionary, concretionary. It is expansionary or loose when taxation is reduced or public spending is increase with the aim of stimulating total spending in the institute known as aggregate demand. On the other hand Fiscal policy is contraction or tight when taxation is increased or public spending is reduced in order to restrict demand and slow down to the Institute.

In Nigeria, the Fiscal policy instrument include changes in tax rate (on personal income tax, company income tax, petroleum profit, capital gain, import duties as well as mining rate, royalties etc) and government expenditure (recurrent and capital).

2.2.5 DIFFERENCES BETWEEN MONETARY AND FISCAL POLICY

Monetary and Fiscal policy are both instrument of macroeconomic stability but theyhave the following differences:

a. Monetary policy is typically implemented by a central bank while fiscal policy decision are set by the national government;

b. Both monetary and fiscal policy may be used to influenced the performance of the institute in the short run;

c. Monetary policy use instrument such as open market operation, reserve ratio and moral suasion etc. For economic stability while fiscal policy use taxation as an instrument of economic stability;

d. Fiscal policy decisions undergo stages before a approval in the house while monetary policy decision are approved by the decision of the CBN.

2.3 EMPERICAL LITERATURE

The effect of monetary policy is a central issue in macroeconomic, it has attracted comments from different scholars both developed and developing countries.

Ojo (1999) regard monetary policy much of the 90’s as generally restrictive, yet money supply (in this case M_2) increased persistently and well beyond the establish growth rate target. Sanusi (2001) goes further back to a period (1959 – 1969) when Nigeria’s monetary policy was deliberately expansionary during this period. As the

Treasury bill rate was reduce from 5% in 1964, M2 rose at an annual rate of 44% between 1960 – 1994 ant to 84% during 1968 – 1990.

2.3.1 MONETARYPOLICY STRATEGY IN NIGERIA

Monetary Policy Strategy refers to how the central bank carries out monetary policy action (Mish kin, 2001). A central feature of the difference forms of monetary policy strategy is the choice of the numerical anchor. Thus each of the three basic type of monetary policy strategy was a different nominal anchor. Monetary targeting involves the use of information conveyed by the monetary aggregate to conduct monetary policy. Monetary targeting occurs in at least two forms, first is the rigid Friedman-type in which the chosen monetary aggregate is kept on a constant growth rate path as the forces of monetary policy. Second is the flexibility variety, which may involve a set of monetary aggregate each of which may involve a set of monetary aggregate each of which is allowed to grow at different rate.

According to “Odozi” the conduct of monetary policy goes on three inter-related stages namely:

a. Policy Formulation Stage

b. Implementation Stage

c. Review Stage

The framework of this exercise is usually provided by law as follows:

1. The relationship between Central Bank and the Federal Government
2. Which arm of government has the financial authority on the policies initiated by the Central Bank.

2.4 TYPES OF FINANCIAL INSTITUTIONS AND THEIR ROLES

A financial institution is an establishment that conducts financial transactions such as investment, loans and deposit.

Almost everyone deals with financial institution on a regular basis. Everything From depositing money to things out loan and exchanging currencies must be done through Financial institution. Here is an overview of some of the major Categories of Financial institution s and their role in the financial system.

COMMERCIAL BANKS

Commercial banks accept deposit s and provide security and convenience to their customer. Part of the original purposes of banks has offer customer safe keeping their money. By keeping physical cash at home or in a wallet, there are risks or loss due to theft and accidents, not to mention the loss of possible income from interest. With Cheque, debit or credit cards instead. Commercial banks also make loan that individual s and business use to buy goods or expand business operation, which in turn load to more deposited funds that make their way to banks. If bank can lend money at a higher interest rate than they make money.

Banks also serve often under appreciated roles as payment agent within country and between nations. Not only do bank issue debit cards that allow account holder to pay for goods with the swipe of a card, they can also arrange wire transfer with other institutions. Banks essentially underwrite financial transaction by lending their reputation and credibility to the transaction. A check is basically just a promissory note between two people, but without a bank's name and information on the note, no merchant would accept it. As payment agents, banks make commercial transaction more convenient. It is not necessary to carry around large amount of physical currency when merchant will accept the check, debit card or credit card that bank provided.

INVESTMENT BANKS

The stock market crash of 1929, and ensuring Great depression caused the united state government to increase financial market regulation. The glass-stage all act of 1933 resulted in separation of investment banking from commercial banking.

While Investment banks may be called “banks” their operation are different than deposit intermediary that perform a variety of services for business and some government. These services include under writing debt and equity offering, acting as an intermediary between an issuer of securities and the investing public, making market, facilitating mergers and other corporate recognition and acting as a broker for institution client. They may also provide research and financial advisory services to companies. As a general rule, investment banks do not deal with the general public; However, some of the big names Investment Banking, such as JP Morgan chose, Bank of America and City Group also operate Commercial Banks. Other past and present investment banks you may have heard include Morgan Stanley, Goldman Sachs, Lechman Brothers and First Boston. Generally speaking, investment banks are subject to less regulation than commercial banks, while investment banks operate under the supervision of regulatory bodies, like the Securities and Exchange Commission, FINRA and the U.S Treasury, there are typically fewer restrictions when it comes to maintaining capital rations or introducing new product.

INSURANCE COMPANIES

Insurance companies pools risk by collecting premium from a large group of people who want to protect themselves and/or their loved ones against a particular loss, such as Fire, Car Accident, Illness, Lawsuit, Disability or Death. Insurance help individual and companies manage risk and preserve wealth by insuring large number of people, Insurance companies can operate profitably and at the same time pay claims that may arise, insurance companies use statistical analyses to project what their actual losses will be within a given class. They know that not all insured individual will loss at the same time or at all

BROKERAGES

A brokerage act as an intermediary between buyers and seller to facilitate securities transaction. Brokerages companies are compensated via commission after the transaction has been successfully completed. For example, when a trade order for a stock is carried out, an individual often pays a transaction fee for the brokerages company effort to execute the trade.

A brokerage can be either full service or discount. A full service brokerage provides investment advice, portfolio management and trade execution. In exchange for this, high level of service customers pays significant commission on each trade. Discount brokers allow investors to perform their own investment research and make their decision. The brokerage still execute the investors trades, but since it doesn’t provide other service of a full service brokerage, its trade commission are much smaller.

INVESTMENT COMPANIES

An investment companies is a corporation or a trust through which individuals invest in diver sifted, professionally managed portfolio of securities by pooling their funds with those of other investors rather than purchasing combination of individual stocks and bounds for a portfolio, an investor can purchase securities indirectly through a packaged product like a mutual fund.

There are three fundamental types of investment companies: Unit Investment Trust(UITS) force amount certificate companies and managed investment companies. All three types have the following things in common

- An individual interest in the fund proportional to the number of shares hold;
- Diversification in large number of securities;
- Professional management.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

Research methodology shall be adopted in this project, this is because the effect of monetary and fiscal policy in Nigeria.

Financial institution which is the main concept of this project cannot be qualified nor captured by a single research method

3.1 RESEARCH DESIGN

INTRODUCTION

The success and failure of this research depends on the degree of facts gather during the data collection period. As a result, the data collection will not be based on only questionnaire but also a face to face interview with employee and the manager of the bank will highly be used. Basically both primary and secondary source of data will also be used in the collection of information.

3.2 METHOD AND SOURCE OF DATA COLLECTION

Base on the topic of the research, the source of data collection which will be used in this research are:

- ❖ Primary source / Data
- ❖ Secondary source / Data
- ❖ Questionnaire

PRIMARY SOURCE/DATA: This are originally sourced data by the researches, which are obtain from the case study, from survey to gather information.

SECONDARY SOURCE/DATA: These are already published data by other research's e.g, textbooks.

QUESTIONNAIRE: Is a list of question's or statement which require the interview to make a reply. This reply may be recorded either by the respondent himself or by the interview.

3.3 POPULATION OF THE STUDY

POPULATION: This refers to the entire group or people, event or things of interest that the research that the researcher wishes to investigate. The population size is drawn from the staff's of the bank. For the purpose of this research work, the research will be based on 100.

3.4 DATA COLLECTION INSTRUMENT

The research instrument or the data collection instrument used in this research work is through the application of questionnaire and oral interview.

3.5 SAMPLING DESIGN AND SIZE

The sampling size will be chosen as a fair representation of the population study. In this research work the sample size that will be used is 50 at of the Population of 100.

3.6 MEASUREMENT OF VARIABLE

The variable in this research are source through the use of questionnaire, oral interview, internet and textbooks. Hence, the analysis of respondent through questionnaire will be use of statistical methods.

The statistical method that will be used to analyze this data is chi-square test which the formula is

$$X^2=\sum \frac{(O_i - E_i)}{E_i}$$

Where X^2= chi-square

O_i= Observed Frequencies

E_i= Expected frequencies

$\sum$= Summation.

Expected Frequencies= $\frac{RT \times CT}{OT}$

RT= Roll Total

CT= Column Total

OT= Overall Total

3.7 RESEARCH INSTRUMENT

The research instruments are the questionnaire and interview.

3.8 METHOD OF ANALYSIS

This data collection are subjected to test through descriptive statistics which involve grouping of data into variables and interpreting the table and charts.

The interested statistics involve rigorous statistics calculating the data collected group or classified.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTEPRETATION

4.1 INTRODUCTION

This chapter clearly present analysis and interpretation of data collected from the questionnaire and interview on “the effect of monetary policy and fiscal in Nigeria financial institution’s a case study of zenith bank NigPlc ,Agbara , Ogun State.

According to the questionnaire administered the table below gives a clear picture of the view of respondent.

4.2 ANALYSIS OF RESPONDENT

Table 4.2.1: Respondent Sex

Sex	**Frequency**	**Percentage**
Male	20	40
Female	30	60
Total	**50**	**100**

From the above table 15 respondents are male with a percentage of 40% while 20 respondents are female with the percentage of 60%.

4.2.2: Respondent Age

Age	**Frequency**	**Percentage**
18-25 years	25	30
26-35 years	15	50
36and above	10	20
Total	**50**	**100**

The above table show that 15 respondent between the age of 18-25 years with 25% and 26-35 years with the percentage of 60% and 36 years and above with10 respondent and a percentage of 15%.

4.2.3: Respondent marital status

Marital Status	Frequency	Percentage
Married	35	70
Single	15	30
Total	**50**	**100**

The above table of 35 respondent are married with the percentage of 70% and 15 respondent are single with the percentage of 30%.

Table 4.2.4: Education Qualification of Respondent

Marital Status	Frequency	Percentage
Primary School	-	-
Secondary School	-	-
NCE/OND	7	14
HND/B.Sc	38	76
Others	5	10
Total	**50**	**100**

The above table show the 7respondent has NCE/OND while the percentage of 14% 38 respondent has HND/B.SC with the 76% while only 5 respondent has other qualification with only 10%.

Table 4.2.5: Respondent Religion

Religion	Frequency	Percentage
Christian	40	80
Muslim	10	20
Traditional	-	-
Others	-	-
Total	**50**	**100**

The above table show that 40 respondent are Christian 10 respondent are Muslim.

Table 4.2.6: Working Experience

Working Experience	Frequency	Percentage
Below 5 Years	27	54
6 – 10 Years	23	46
11 – 25 Years	-	-
Total	**50**	**100**

The above table show that 27 respondents has been working below 5 years, 23 respondents has been working for 6-10years.

Table 4.2.7: Variation in Monetary policy does not significantly affect output growths

Variable	Frequency	Percentage
Agree	30	60
Disagree	15	30
Strongly Agree	5	10

Strongly Disagree	-	-
Total	**50**	**100**

The above table show that 30 respondents agree that variation an monetary significantly affect output growth, 15 disagree and 5 respondent strongly agree.

Table 4.2.8: Variation in monetary policy does not significantly affect output growth

Variable	Frequency	Percentage
Agree	10	20
Disagree	25	50
Strongly Agree	5	10
Strongly Disagree	10	20
Total	**50**	**100**

Table 4.2.9: Monetary Policy maintain high level of employment

Variable	Frequency	Percentage
Agree	5	10
Disagree	25	50
Strongly Agree	8	16
Strongly Disagree	12	24
Total	**50**	**100**

Table 4.2.10: Monetary Policy control inflation

Variable	Frequency	Percentage
Agree	15	30
Disagree	5	10
Strongly Agree	10	20
Strongly Disagree	20	40
Total	**50**	**100**

Table 4.2.11: Do you agree that fiscal policy is implemented by Central Bank

Variable	Frequency	Percentage
Agree	15	30
Disagree	2	4
Strongly Agree	33	66
Strongly Disagree	-	-
Total	**50**	**100**

Table 4.2.12: Do you agree that Monetary Policy can detect the movement in the stock of money overtime and business cycle.

Variable	Frequency	Percentage
Agree	25	50
Disagree	15	30
Strongly Agree	-	-
Strongly Disagree	10	20
Total	**50**	**100**

Table 4.2.13: Do you agree that Monetary policy develop sound financial system

Variable	**Frequency**	**Percentage**
Agree	35	70
Disagree	5	10
Strongly Agree	10	20
Strongly Disagree	0	0
Total	**50**	**100**

4.3 TEST OF HYPOTHESIS

Chi-square (x^2) is concerned with the difference between a set of observed frequencies of a sample and a correspondents set of expected frequencies. It is computed as follows:

$$X^2 = \frac{(Oi - Ei)}{Ei}$$

Where:

∑ = Summation

O_i = Observed Value

E_i = Expected Value

X^2 = Chi-Square

Level of significance (∞) : The value of significance adopted in this research is at 5% or 0.05 level of significance.

Where r = Number of Rows (horizontal), C = Number of Columns (Vertical)

The following step to be followed in testing hypothesis

- State the hypothesis to be tested i.e H_o and H_i
- Construction of the classification table
- Calculation of the test statistics X^2
- Degree of freedom determination
- Derive a decision rule based on the level of significance
- Accept or reject the null hypothesis
- Conclude the accepted hypothesis

The expected frequency (E_i) for each cell was arrived at by dividing the total number of the observed frequency (O_i) by the number of row i.e 50/4 = 12.5

Table 1 Hypothesis One: Variation in monetary policy does not significantly affect output growth

H_o: Variation in Monetary Policy does not significantly affect output growth

H_i: Variation in Monetary Policy significantly affects output growth

Responses	**O_i**	**E_i**
Agree	30	12.5
Disagree	15	12.5
Strongly Agree	5	12.5
Strongly Disagree	0	12.5

Applying the formular

Responses	**O_i**	**E_i**	**$O_i – E_i$**	**$(O_i – E_i)^2$**	**$\sum \frac{(O_i – E_i)^2}{E_i}$**
Agree	30	12.5	17.5	306.25	24.5
Disagree	15	12.5	2.5	6.25	0.5
Strongly Agree	5	12.5	-7.5	-56.25	-4.5
Strongly Disagree	0	12.5	-12.5	-156.25	-12.5
Total					**8**

$X^2 = 8$

Difference = n – 1 = 4 – 1 = 3

at 0.05 level of significant X^2 0.05/1, 4 – 1 = 3 = 7.32

Decision rule: Reject Ho if X^2cal> X^2 tab

Since $X^2$8 > 7.32 we reject H_o and accept H_i meaning that these is enough evidence to accept that monetary policy significantly affect output growth.

Testing Hypothesis Two

Ho: Monetary Policy does not develop sound financial system

Hi: Monetary Policy develop sound financial system

Responses	**O_i**	**E_i**
Agree	35	12.5
Disagree	5	12.5
Strongly Agree	10	12.5

Strongly Disagree	0	12.5

Applying the formular

Responses	**O_i**	**E_i**	**$O_i – E_i$**	**$(O_i – E_i)^2$**	**$\sum \frac{(O_i – E_i)^2}{E_i}$**
Agree	35	12.5	22.5	506.25	4.05
Disagree	5	12.5	-7.5	-56.25	-4.5
Strongly Agree	10	12.5	-2.5	-6.25	-0.5
Strongly Disagree	0	12.5	-12.5	-156.25	-12.5
Total					**-13.45**

$X^2 = 13.45$

Difference = n – 1 = 4 – 1 = 3

at 0.05 level of significant X^2 0.05/1, 4 – 1 =3 = 7.32

Decision rule: Reject Ho if X^2cal> X^2 tab

Since X^2cal is greater than X^2 tab i.e. 13.45 > 7.32

We therefore reject H_o and accept H_i meaning there is enough evidence to accept that monetary policy develop financial system.

CHAPTER FIVE

SUMMARY, RECOMMENDED, AND CONCLUSION

5.1 INTRODUCTION

This chapter is the final stage of researched and also giving a summary of the entire work. Conclusion of the researched and recommendation made to all interest group benefit from this work

5.2 SUMMARY

It has been said in chapter one of this work that monetary policy is one of the step taking by every institute to make the banking sector effective.

The aims and objective of monetary policy are well stated in the chapter four of this work.

Chapter four of this research work shows respondents were classified according to age, sex, and status through sample computation.

It also shows how the collected data where presented and analyzed through table presentation and the testing of question and the validity of the hypothesis the chi-square test calculation of 5%or 0.05 level of significance.

5.3 RECOMMENDATION

The empirical result revealed that effective monetary policy is necessary for financial institution for attainment economic growth and development. The following policy idea is necessary stabilizing the naira Exchange rate

Need for effective monetary policy in order to take adequate in measure in steaming macroeconomic instability and order economic impediment for restrictive monetary policy to overcome inflation gap.

5.4 CONCLUSION

This is to conclude the effect of monetary policy and fiscal policy in Nigeria financial institution be enforced by the central bank of Nigeria since in chapter four, the conclusion of the chi- square test that monetary policy develop sound financial system.

REFERENCE

Akatu, O. (2011). *Reflection on macroeconomic*: Otta papers and proceedings press.

Anyanwakoro, M. (2012).*Theory and policies of money and banking*.Uwani Enugn.Hossana publication.

Attamah, N. (2011). *Basic Principles Of Economic*. Coal camp enugu: Marydan publishers.

Campbel, (2015).*Conduct Of Monetary Management In Nigeria*. Onitsha: Wemapublishers.

Friedman, (2012). The role of monetary policy: Binmighanwiglass publishers Inc.

Jhinghan, M. C. (2012). *Advanced economic theory*. Mayan vinan phase 1 deihi: vindu publication.

Julius, A. A. (2014). *Facing New Challenges In Banking Akume*: Obies press.

Keyness, J. M. (2015).*The General theory of employment interest and money*. New York: Harcourt Brace company.

Nwagbara, C. P. (2014). *An introduction approach to statitsics*.Ogui road enugu: J.F.C. and company publication.

Ogikhonon H. and Dimowo F.A. (2010).*The structure of the Nigerian Economy*.Akwa: Joanne educational publisher ltd.

Pandey, I, M. (2009).*Monetary policy effects*. London: McGraw Hill companies Inc.

Visit www.Edustore.ng to get more project materials, jamb past questions and answers and educational eBooks